

Comments on the Raymond Robertson et al Paper



**Globalization and
Working Conditions:
Evidence from
Cambodia and
Indonesia**



Daniel J.B. Mitchell

Seattle, WA: NAEFA-WEAI Session: June 30, 2007

Usual Concern



“Labor standards” issue in international trade

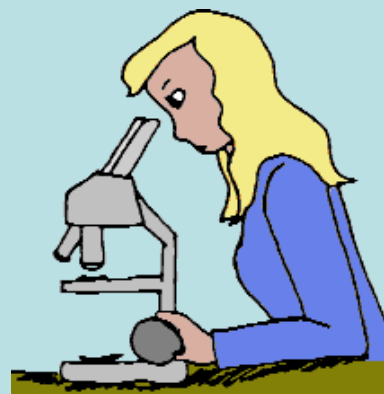
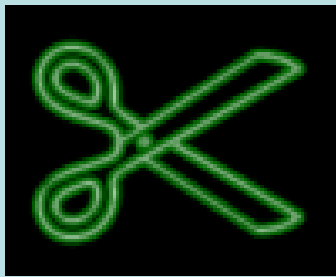


Young girls in Pakistan sew soccer balls.

**Developed country
consumers don't like the
idea of purchasing from
low standards countries
and suppliers**

Work in Progress



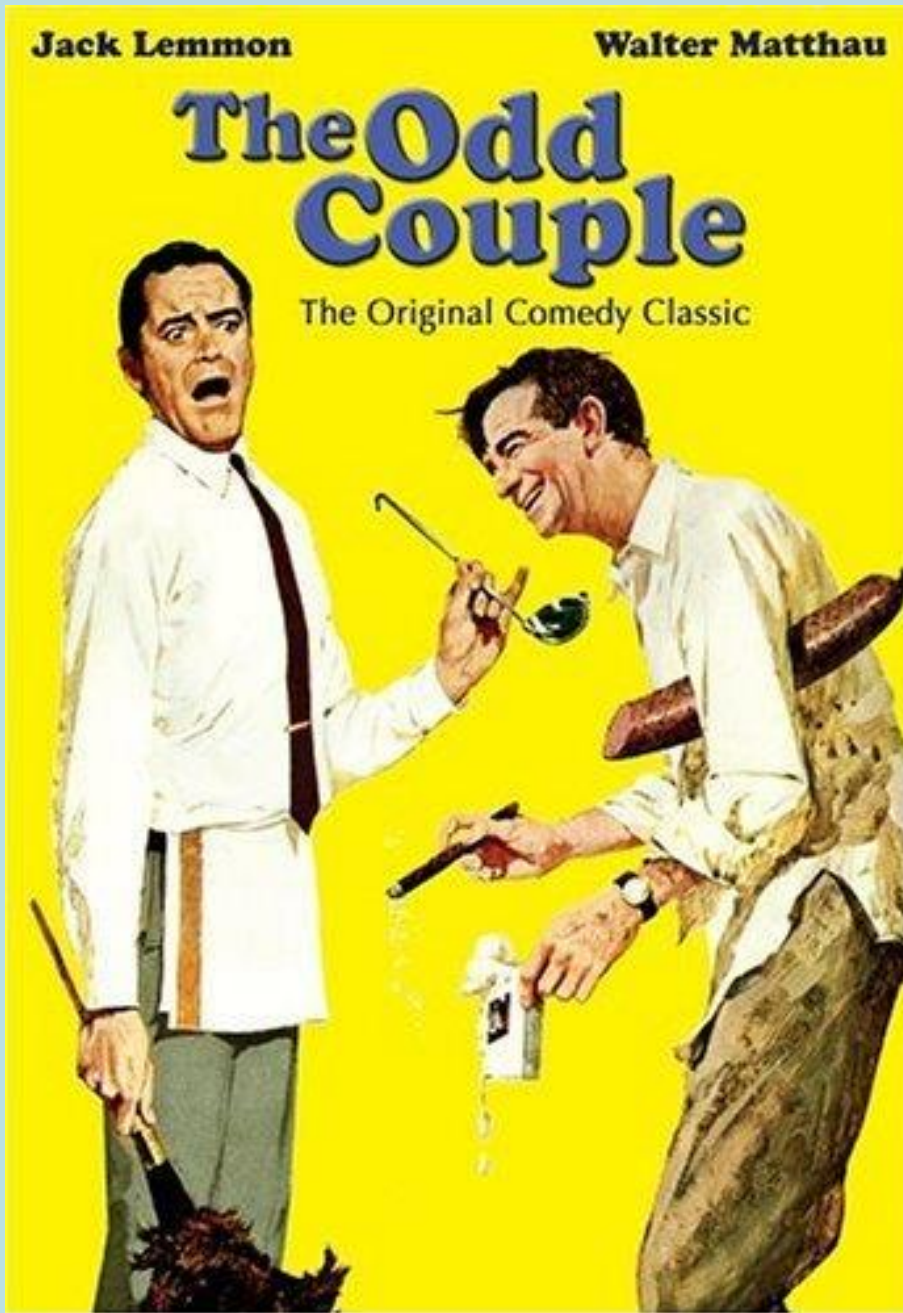


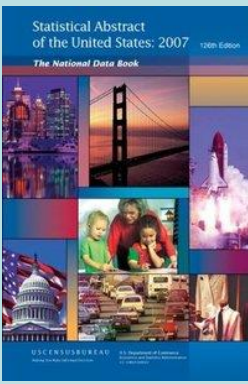
Editorial Suggestions

- **Wage data in dollars**
 - *Nominal at prevailing exchange rate*
 - *Purchasing Power Parity*
- **Compare with US**
 - *Safety measures (OSHA)*
 - *Industry wage premiums (with and without controls)*
- **Comment on notable differences, e.g., female participation in the two countries**
- **Importance?**

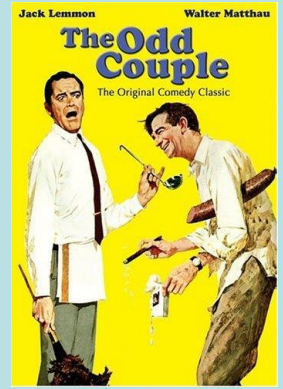


Choice of Countries?





Odd Couple?

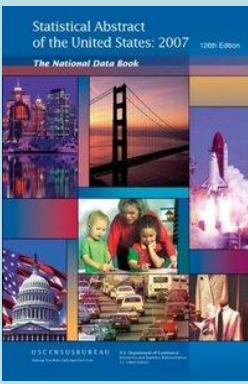


- **Population (2005)**
 - Cambodia: 14 million
 - Indonesia: 229 million
- **Life Expectancy (2005)**
 - Cambodia: 59 years*
 - Indonesia: 70 years**

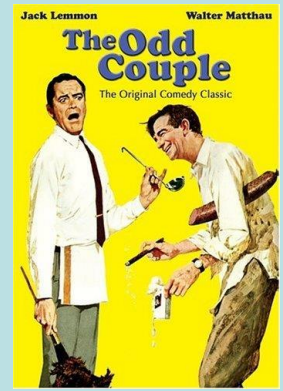
***Like US in 1920s**

****Like US in 1960s**

**Source: Statistical Abstract of the US 2007
and Historical Statistics of the US**

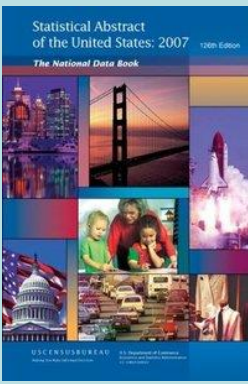


Odd Couple?

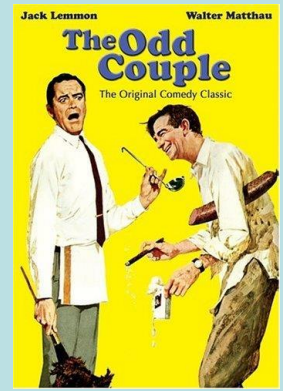


- **Population (2005)**
 - Cambodia: 14 million
 - Indonesia: 229 million
- **Life Expectancy (2005)**
 - Cambodia: 59 years
 - Indonesia: 70 years
- **Gross Nat'l Income (2004)**
 - Cambodia nominal: \$5 billion
 - Cambodia PPP: \$32 billion
 - Indonesia nominal: \$248 billion
 - Indonesia PPP: \$757 billion

Source: Statistical Abstract of the US 2007



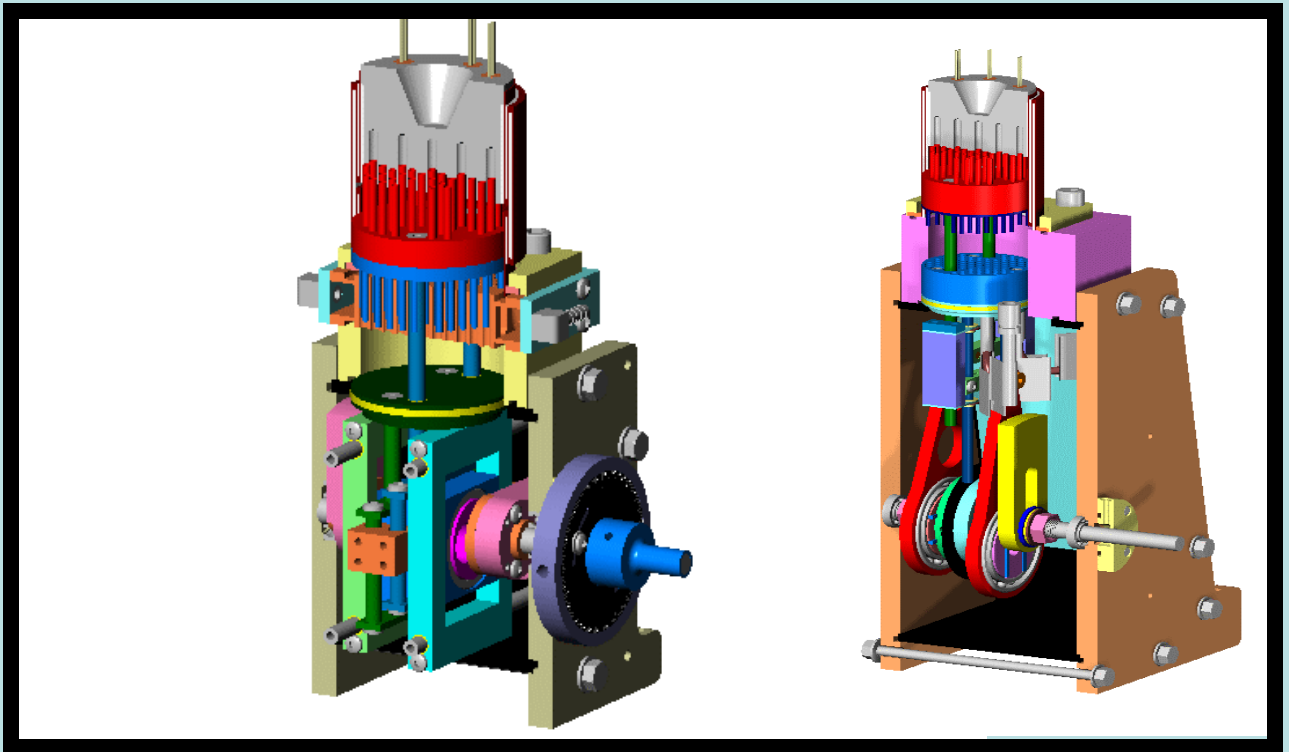
Odd Couple?



- **Population (2005)**
 - Cambodia: 14 million
- **Gross State Product of California (2004):**
 -  **\$1,403 billion**
 - Indonesia: 70 years
- **Gross Nat'l Income (2004)**
 - Cambodia nominal: \$5 billion
 - Cambodia PPP: \$32 billion
 - Indonesia nominal: \$248 billion
 - Indonesia PPP: \$757 billion

Source: Statistical Abstract of the US 2007
and www.bea.gov

2 Alternative Models



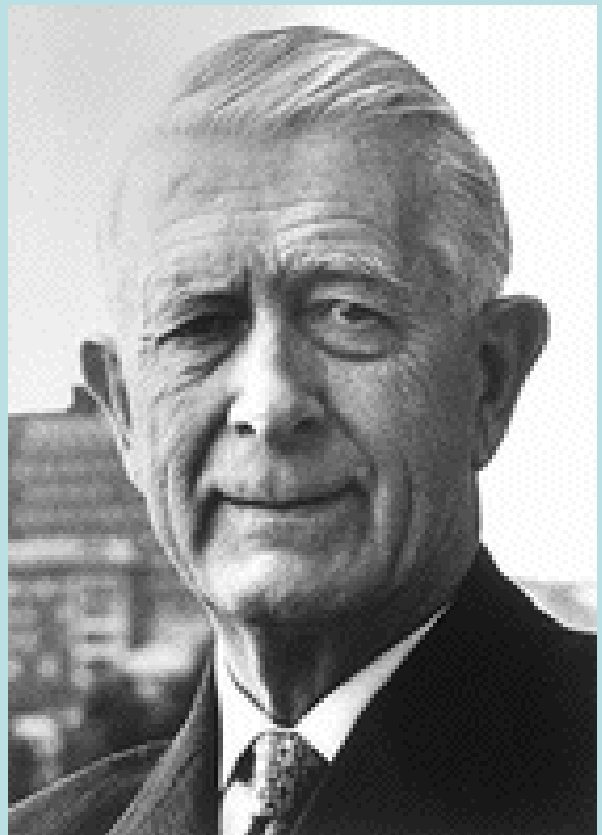
Which model is relevant here? Which model is consistent with the preliminary results?

The Heckscher-Ohlin Model

Implication: Wages (conditions) improve in the labor abundant country and deteriorate in the capital abundant country



**Eli Heckscher:
1879-1952**



**Bertil Ohlin:
1899-1979**

Half of them won a Nobel Prize



W. Arthur Lewis Model

**"Economic
Development with
Unlimited Supplies
of Labor," 1954,
*Manchester School***



1915 - 1990

Implication: Subsistence in traditional sector provides unlimited labor to modernizing sector until labor surplus is exhausted

He won one half of a Nobel prize

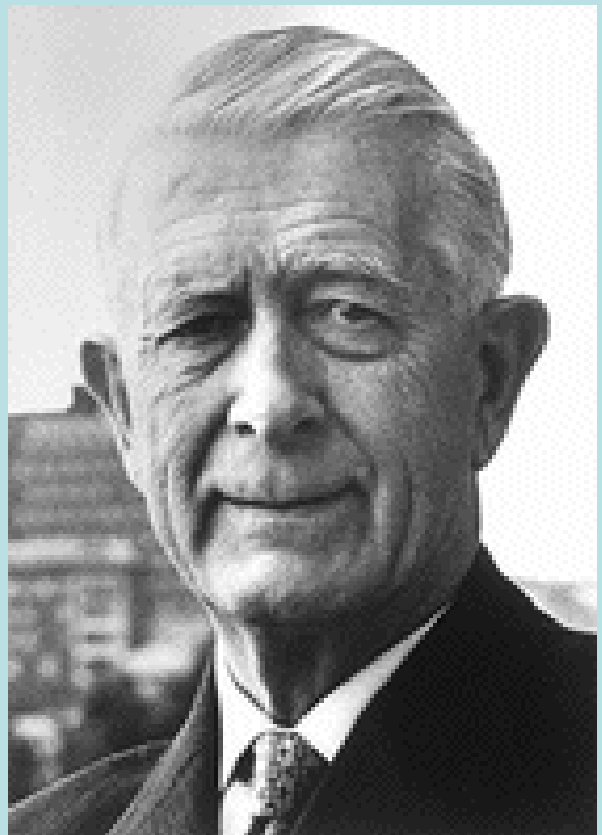


The Heckscher-Ohlin Model

Relevant to “Asian Tigers”?



Eli Heckscher:
1879-1952



Bertil Ohlin:
1899-1979



W. Arthur Lewis Model

**"Economic
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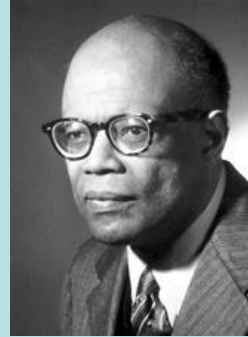


1915 - 1990

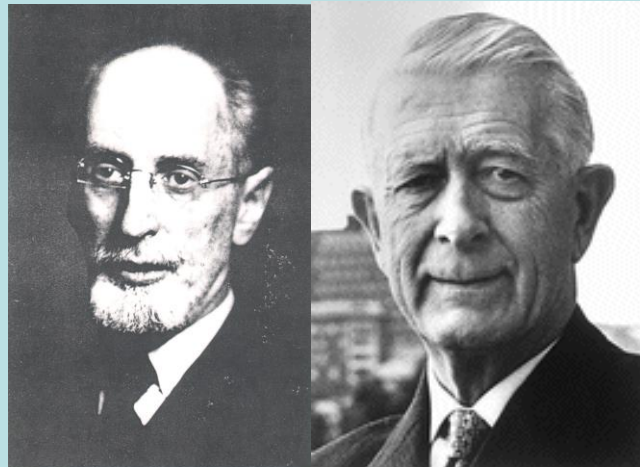
**Relevant to Cambodia, Indonesia, China,
India, Mexico?**



Mfg. Wage: US = 100



	1975	1980	1990	2000	2005
Mexico	24	23	11	11	11
Tigers	8	12	25	36	39



Source: US Bureau of Labor Statistics

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